

Written Statement of
ROBBIE MELTON
Executive Director & CEO
High Technology Development Corporation
before the
HOUSE COMMITTEE ON FINANCE
Wednesday, February 25, 2015
2:45 p.m.
State Capitol, Conference Room 308
In consideration of

HB1069 HD1 RELATING TO TECHNOLOGY.

Chair Luke, Vice Chair Nishimoto, and Members of the Committee on Finance.

The High Technology Development Corporation (HTDC) **strongly supports** HB 1069 HD1 expanding the Hawaii SBIR matching grant program to phase 2 and 3.

HTDC has been assisting Phase I SBIR awarded companies since 1989 and continues to do so each year. For every dollar invested through this program, Hawaii companies have attracted 20 federal dollars in return to the state, plus commercialization funding. The federal SBIR grant program has increased their efforts to move companies through grant awards to commercial product sales. However, the federal SBIR program has not dedicated additional funds towards these efforts. HB1069 HD1 allows HTDC the opportunity to further assist these companies in the SBIR path to getting their product to market. Matching funds for companies who receive SBIR Phase 2 and phase 3 funding would help companies get their products out in to the market faster and also increase the sustainability of the business.

Thank you for the opportunity to offer these comments.



February 24, 2015

Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair
House Committee on Finance
Hawaii State Capitol, 415 S. Beretania St.
Honolulu, Hawaii 96813

Dear Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

The Hawaii Aquaculture and Aquaponics Association **strongly supports HB 1069 HD1**, "Relating to Technology," which would allow the High Technology Development Corporation to provide grants to businesses with Federal SBIR Phase II and Phase III awards. These grants would assist Hawaii's small businesses during the difficult phase of commercialization of products and services developed using Phase I research.

Aquaculture and aquaponics certainly qualify as "high tech" industries, and further development of these industries will increase Hawaii's food security as well as providing jobs and potential export products. Hawaii businesses have received Phase I and Phase II awards for innovative techniques of aquaculture production and for products of interest to the aquaculture industry.

Although Federal Phase II and Phase III awards are intended to allow the recipient to take Phase I research results through to full commercialization, such efforts are expensive and often require further resources that small businesses may not have. We therefore urge you to pass HB 1069 HD1, and help keep Hawaii competitive in these critical technologies.

Thank you for the opportunity to testify on this important matter.

Sincerely,

Frederick M. Mencher

Treasurer, Hawaii Aquaculture and Aquaponics Association

finance8-Melanie

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 24, 2015 11:10 AM
To: FINTestimony
Cc: gottlieb@hawaii.rr.com
Subject: *Submitted testimony for HB1069 on Feb 25, 2015 14:45PM*

HB1069

Submitted on: 2/24/2015

Testimony for FIN on Feb 25, 2015 14:45PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Gottlieb	Hawaii Cattlemen's Council	Support	No

Comments:

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Written Statement of
DR. PATRICK K. SULLIVAN
PRESIDENT/CEO OCEANIT

Before the
HOUSE COMMITTEE ON FINANCE

February 25, 2015

2:45 p.m.

State Capitol, Conference Room 308

In Support of

HB1069 RELATING TO HIGH TECHNOLOGY

To: Chair Sylvia Luke, Vice Chair Scott Y. Nishimoto and Members of the Committee

From: Dr. Patrick K. Sullivan, President/CEO

Re: Testimony in Support of HB1069

Honorable Chair, Vice-Chair and Committee Members:

Thank you for the opportunity to submit testimony **in support of HB1069**

The technology industry in Hawaii has grown over the past 10 years and has made significant strides towards achieving the goal of diversifying and stimulating Hawaii's economy.

Early stage support has been made available to "start up" companies, through state support of "accelerators". These accelerators provide mentoring and modest financial support to kick start a business.

Other companies that are developing cutting edge technologies rely on federal support through the Small Business Innovation Research ("SBIR") grant program, which encourages and funds early stage ideas and innovations. The technology risk level for these programs are often high and untested. Great ideas emerge from this early stage funding, and these ideas and technologies are vetted and competed at a national level. However, with the level of funding that is provided in a SBIR Phase I grant, there is barely enough money to demonstrate proof-of-concept for a technology. The follow-on funding that is required is essential to move the technology towards prototyping, customer interface and development.

HB1069 would fill this critical "gap" in funding by supplementing the SBIR program, a program that has been tested by time. This funding gap (aka known as the "valley of death") is an acute problem in Hawaii due to our immature capital market support. Investment capital for technology in Hawaii faces critical challenges because this industry is still in the early stages of development in Hawaii, and there is a general lack of historical investment into this arena. This creates tremendous hurdles to the evolution of this industry.

Over the last several years, much attention was given to the development of software start-ups and social media as an industry. This has been an attractive industry as it requires little to no start-up capital and has low barriers to entry. Today, the leading tech arenas in the nation have found that the need to support “hard tech” is still required in order to maintain a vital, stable and critical part of the economic infrastructure. This industry is in flux, and most in Silicon Valley would agree that the days of these easy start-ups are gone. The focus is once again on developing cutting edge technology – development that requires longer timeframes, and significantly more capital investment.

HB1069 will leverage the Hawaii Technology Development Corporation’s (HTDC) grant program, which has been in place since 1983. The purpose of the program has been to match SBIR Phase I grants. Phase I grants cover early stage ideas and technology development. Proposal topics are developed by agencies to address areas of national need. Proposals are vetted nationally and are extremely competitive. Ideally, a successful Phase I project will be able to show “proof of concept”. More often than not - this usually means proof on paper – there is not enough funding in these early stage grants to actually develop or test a prototype.

HB1069 would broaden the existing program by adding a matching grant component to mid- to later- stage funding at the SBIR Phase 2 or Phase 3 stages to support the development of working prototypes that stem out of these technologies. This would fill a large gap in the technology development process and would promote the maturation and commercialization of novel technologies.

The objectives of this bill are:

- To act as a bridge across the “valley of death” and to assist in commercializing research discoveries for societal benefit;
- To support economic growth and the diversification of our economy;
- To launch new ventures based on technology innovations; and
- To support the growth of the tech industry and the creation of intellectual property and innovation in the State.

We strongly urge you to support of HB1069 and we appreciate your continued support of the technology industry.

finance8-Melanie

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 24, 2015 9:25 AM
To: FINTestimony
Cc: akrucky@tissuegenesis.com
Subject: Submitted testimony for HB1069 on Feb 25, 2015 14:45PM

HB1069

Submitted on: 2/24/2015

Testimony for FIN on Feb 25, 2015 14:45PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Anton Krucky	Tissue Genesis, Inc.	Support	No

Comments: My company, Tissue Genesis, supports HB1069. The receiving of matching funds for SBIR II will enable us to finish the development of a new product and submit that product to the FDA for approval in cell therapies. We are building a team for the development of this product, so this effort will engage additional employment in the company. We strongly support the passage of HB 1069. signed, Anton Krucky, President and CEO, Tissue Genesis, Inc.

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Hawaii Evolutionary Development, LLC
2221 Seaview Avenue
Honolulu, HI 96822

Written Statement of Dr. Takashi Sugimura

Before the
COMMITTEE ON FINANCE

February 25, 2016

2:45 pm

State Capitol, Conference room 308

In Support of

HB 1069 RELATING TO TECHNOLOGY

TO: Honorable Chair Sylvia Luke, Vice-Chair Scott Y. Nishimoto and Members of the Committee

FROM: Dr. Tak Sugimura, Hawaii Evolutionary Development, LLC

RE: Testimony in Support of HB1069

Thank you for the opportunity to submit testimony in STRONG SUPPORT of HB1069. I am one of the founders of Hawaii Evolutionary Development, LLC a local high technology start up. We have competed and won Air Force contracts for SBIR Phase I and SBIR Phase II worth over \$1million. Between the end of our Phase I and the beginning of Phase II, we were assisted by a State of Hawaii HSDC grant for \$25,000 that allowed us to write our SBIR Phase II proposal which we competed and won over intense competition. We are in the process of completing our SBIR Phase II contract and have been asked by the Air Force to submit a SBIR Phase III proposal which is the terminal commercialization component of the SBIR program. The funding provided to successful local candidates under HB1069 will provide the "gap funding" to allow Hawaii companies to compete for SBIR Phase III.

finance8-Melanie

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 24, 2015 12:48 PM
To: FINTestimony
Cc: collin.kobayashi@3d-innovations.com
Subject: Submitted testimony for HB1069 on Feb 25, 2015 14:45PM

HB1069

Submitted on: 2/24/2015

Testimony for FIN on Feb 25, 2015 14:45PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Collin Kobayashi	3D Innovations	Support	No

Comments: I am writing in support for HB1069. Companies need to have available funding in order to develop, test, and prototype to further their technology development. These matching funds would allow companies to access additional funding that is crucial in developing their technologies and products. Please consider the long term benefits of this proposed bill.

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February 24, 2015

Hello,

I am happy to submit the following testimony in support of HB1069:

My name is Christopher Somogyi. I am a resident of Holualoa, Hawai'i Island. My background is in high-tech entrepreneurship, venture capital, intellectual property, university technology transfer, and national government innovation granting. I believe that passage of this bill can provide world-leading advantage to the state to attract, nurture, and retain world-class high technology companies, technical talent, and investment capital. I strongly encourage its adoption.

I have started a number of technology companies in areas including medical devices, tissue engineering, photonics, and software. Some of these have been spun out from university research groups including the University of Washington and Princeton University; some have been entrepreneur-originated. We have successfully won two Phase 1 SBIRs and one Phase 2 SBIR across these companies. My current company, Etaphase, is awaiting word from the National Science Foundation regarding a Phase 2 SBIR application that was submitted in January 2015.

I can say without hesitation that these SBIR grants were *essential* to our companies' survival and success. The intent of SBIRs to provide early capital to innovative research in a global environment ever less-inclined to allocate investment-grade capital to such efforts. The venture community has, over the past few decades, repositioned itself further and further up the value curve. Therefore, though the formal venture capital community has many billions of dollars to invest, early stage R&D teams are usually told to return only after technology risk is largely eliminated. Private equity, strategic corporate partner, and angel funding traditionally have come to have to shoulder the funding load. SBIR and other grant awards go a very long way to help these investors with concerns over technical and commercial risk. SBIR topics are selected by federal agencies with an eye to market need. Applications are reviewed by some of the top domain experts nationally. SBIR applications call for both technology justification and verifiable market need for the work they support. Therefore, the exercise of applying for and winning an SBIR help to fashion stronger enterprises, and provide investors with third party validation of the commercial viability of a young company's R&D work. In the case of my companies' SBIR awards, this validation was absolutely critical to being able to attract staff and investors to sustain the company. The work of the SBIRs that we received translated directly into technology that was successfully commercialized, and is now in the market.

While SBIRs are an excellent tool to help maintain national strategic advantage in the high technology space, they are insufficient. SBIRs will only cover certain project and overhead costs. However, in order for a small enterprise to be able to complete globally, it needs to be able to allocate capital into areas specifically not covered by SBIRs. Examples include patenting, market research, business development, legal and accounting expenses, fundraising efforts, licensing fees, and of course technical expenditures not directly related to the specific research effort but still key to the company's strategy. It is not uncommon for a small company to achieve an SBIR and still not be able to satisfactorily commercialize its research results. In my experience, this is in large part due to undercapitalization and inability to address the other

essential business expenditures.

In adopting HB1069, Hawai'i can stand out above the other states in showing its commitment to a high technology economy and to firmly establish that the state is a perfectly suitable home for the highest of technology efforts. Our success as a wonderful place to vacation and live provides great prosperity, but also colors an impression that perhaps high technology companies are better placed in California or Washington. HB 1069 would go a long way to change that impression. Our young companies and budding technology entrepreneurs would feel the support they need to thrive in a highly globalized technology marketplace. The very high quality and rigor of SBIR reviews are provided 'for free' to us by federal agencies. We rely on this rigorous review and amplify the awardee's prospects via this bill's matching program. Our local and offshore investors can gain a higher sense of confidence in our young high tech companies. Mainland and foreign VC groups will pay more attention to Hawaiian tech, and our ability to attract global players to position teams here would be enhanced.

In the case of my particular company, I experience great pressure to maintain operations on the Mainland. Were I able to say that we are choosing Hawai'i thanks in part to the prospect of having our SBIR Phase 2 and 3 matched, I believe we would be able to overcome a large part of the bias against placing our high tech metamaterials R&D company in Hawai'i.

Last year, I resided in Auckland, New Zealand. There, I was General Manager at Callaghan Innovation, the NZ government's national body to advance, evangelize, facilitate, and fund commercial innovation. I oversaw the allocation of over \$400 million in innovation grants to New Zealand companies. Among the lessons learned were that great innovation can come from the most unlikely places, and that local government support can be a make-or-break difference in those innovations coming to market and producing prosperity to their home community. I have seen similar effects of the support the State of Indiana provides my alma mater, Purdue University, and its spinout, incubation, and technology transfer efforts. As a technology licensing associate for Stanford University's Office of Technology Licensing, I similarly saw how the ecosystem and culture of commitment to R&D support helped create and sustain the Silicon Valley engine.

I'm very proud to be a resident of a state that takes the kind of creative and forward-thinking approaches as are exemplified in HB1069. Its passage would certainly encourage me and my ilk to form more high technology companies in Hawai'i, and to confidently seek capitalization for Hawai'i-resident companies through private and SBIR channels.

Sincerely,

Christopher Somogyi

CEO

Etaphase, Inc.

[1-425-503-3658](tel:1-425-503-3658)

somogyi@etaphase.com

HAWAII FISH COMPANY INC

North Shore AquaFarm

Est. 1978

P. O. Box 740
Waialua, HI 96791, USA
Contact: 808-429-3147
E-mail: hawaiiifish@gmail.com

City Bank TIGR Award
US SBA Tibbitts Award
US SBA Small Business Award
Special Congressional Recognition

Hawaii Fish Company Inc (HFC) strongly supports HB 1069.

HFC has been actively involved in the Federal and Hawaii SBIR program since 1993 during which time we have been awarded five USDA/SBIR Phase I awards and four Phase II awards. These grants have enabled HFC to research and develop new aquaculture products and technologies, and ultimately to become Hawaii's oldest commercial aquaculture farm.

Hawaii companies have been among the most successful in the nation in obtaining Federal Phase I awards but have not been as successful in their pursuit of Phase II research and development grants and Phase III commercialization efforts as have companies in some other states, due at least in part to Hawaii's physical remoteness and the high costs associated with doing research and business in Hawaii. This situation has been exacerbated by the limitations placed on the use of Federal SBIR monies, which: 1. Do not cover the costs associated with the protection of intellectual property developed under the SBIR program, such as obtaining critical patents; 2. May not cover the purchase of essential research equipment necessary to successfully carry out the R&D effort; and 3. Often limits or discourages travel expenditures, which places Hawaii companies at a clear disadvantage in being able to meet with the Federal agencies, National Program Leaders, Federal Laboratory and University researchers, in developing critical research and development collaborations, and in pursuing and maintaining critical national and international business relationships and partnerships that are often essential to a successful commercialization effort in our global economy. These inherent programmatic constraints place Hawaii technology companies at a disadvantage in the proposal review process with companies from other states that do not have Hawaii's geographic challenges.

HB 1069 provides the opportunity for HTDC to help level the playing field for Hawaii's technology companies, enabling them to compete and succeed on more even footing for these increasingly scarce Federal SBIR Phase II research dollars and be more successful in their Phase III commercialization efforts. HFC strongly supports this important measure and urges its passage this session to help ensure the long term growth of Hawaii's technology sector including the development of cutting-edge agricultural and aquacultural technologies to help support increased local food production.

Written testimony in support of HB1069

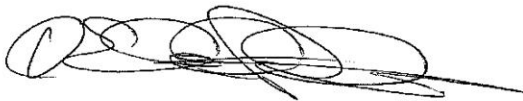
As the President and CEO of Hawaii's oldest biotech company, I am pleased to write in support of HB1069. This legislation enables the continuation of a grant program ably administered by the Hawaii Technology Development Corporation (HTDC) since 1983. As we can attest at Hawaii Biotech Inc, the program provides funds ONLY to the companies with programs that have sustained the highest level of peer review and scrutiny from the Federal agency awarding Small Business Innovation Research (SBIR) grants.

As you will appreciate, the Federal funds awarded under a SBIR grant is barely enough money to demonstrate proof-of-concept for a technology. Follow on funding from the State is essential to move the technology towards prototyping, customer interface and development. HB1069 will fill this critical "gap" by supplementing the SBIR program.

Most importantly, the program fueled by HB1069 allows the high-tech and biotech companies receiving the SBIR grant and HTDC matching award allows these companies to create and maintain jobs. The multiplier effect of these awards not only enhances the economic viability of our state, but repays the State of Hawaii in payroll and general excise tax.

Please support HB1069.

Thank you,

A handwritten signature in black ink, appearing to read 'Elliot Parks', with a long horizontal line extending to the right.

Elliot Parks, Ph.D.
President & CEO
Hawaii Biotech Inc.
99-193 Aiea Heights Drive, # 200
Aiea, HI, 96701-3900
Email: eparks@hibiotech.com
808-792-1399 O
808-342-7281 M



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Wednesday, February 25, 2015 at 2:45 P.M.
Conference Room 308, State Capitol**

RE: HOUSE BILL 1069 HD1 RELATING TO TECHNOLOGY

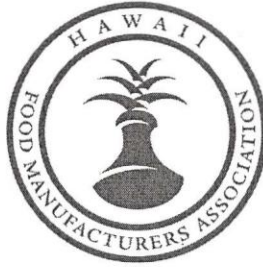
Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **strongly supports** HB 1069 HD1, which authorizes HTDC to provide grants to businesses with a federal small business innovation research phase II or III award.

The Chamber is the largest business organization in Hawaii, representing about 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The High Technology Development Corporation (HTDC) has offered assistance to Phase I SBIR awarded companies since 1989; as a result, Hawaii companies have attracted 20 federal dollars in return to the state plus commercialization funding for every dollar invested through this program. Although the federal SBIR grant program has increased efforts to move companies through grant awards to commercial product sales, funds have not been dedicated towards these efforts. HB 1069 would allow HTDC to provide the necessary support of a commercialization assistance program.

Thank you for the opportunity to testify.



February 24, 2015

WRITTEN TESTIMONY

Representative Sylvia Luke, Chair
Representative Scott Nishimoto, Vice Chair
Finance Committee Members

RE: **SUPPORT** for HB1069: SBIR Phase 2 & 3 Matching Funds

The Hawaii Food Manufacturers Association (HFMA) supports HB1069 because **the measure spurs innovation and helps Hawaii companies compete on a global scale.** The SBIR grant program helps companies with early stage funding where capital is needed.

HFMA represents 150 companies and associated stakeholders in a local manufacturing industry. The State Department of Business, Economic Development and Tourism certifies that food manufacturing in Hawaii annually generates over \$900 million in revenue and employs over 6100 jobs in the state. Our industry is an incubator for innovation and new technology and many of our members already have a working relationship with High Tech Development Corporation's manufacturing extension program.

Food manufacturing was ranked #1 in terms of potential job creation and revenue generation in three separate strategic reports on economic development. These reports were conducted by the City & County of Honolulu, Kamehameha Schools and Enterprise Honolulu.

HFMA supports HB 1069 because this would be an opportunity for the House Finance Committee to invest in a proven industry that can create new jobs in our state.

Sincerely,

A handwritten signature in dark ink, appearing to read "Byron Goo", is written over a horizontal line.

Byron Goo
President
Hawaii Food Manufacturers Association

FIN-Jo

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 24, 2015 12:09 PM
To: FINTestimony
Cc: ashman.janet@gmail.com
Subject: Submitted testimony for HB1069 on Feb 25, 2015 14:45PM

HB1069

Submitted on: 2/24/2015

Testimony for FIN on Feb 25, 2015 14:45PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Janet Ashman	Individual	Support	No

Comments: The Hawaii SBIR matching grant program can benefit local cutting-edge agriculture and aquaculture producers that receive competitive Federal Small Business Innovative Research (SBIR) grants. The proposed Phase II and III State matching funds will help local, small farm businesses increase their commercialization success rates and by doing so, help these producers become more competitive in the increasingly competitive global marketplace. Please pass this measure. Thank you.

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LATE

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 24, 2015 9:36 PM
To: FINTestimony
Cc: amybrinker@mac.com
Subject: *Submitted testimony for HB1069 on Feb 25, 2015 14:45PM*

HB1069

Submitted on: 2/24/2015

Testimony for FIN on Feb 25, 2015 14:45PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Amy Brinker	Individual	Support	No

Comments:

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LATE

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 24, 2015 4:51 PM
To: FINTestimony
Cc: rob.robinson@hawaii.edu
Subject: Submitted testimony for HB1069 on Feb 25, 2015 14:45PM

HB1069

Submitted on: 2/24/2015

Testimony for FIN on Feb 25, 2015 14:45PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Robert Joseph Robinson	Individual	Support	No

Comments: Dear Committee on Finance I write in STRONG SUPPORT FOR HB1069. As a business school professor, and a supporter of technology and the diversification of our economy, I feel that these measures are vital. Companies in Hawaii that are developing cutting edge technologies, rely on federal support through the Small Business Innovation Research ("SBIR") grant program. Great ideas emerge from this early stage funding and these ideas and technologies are vetted and competed on a national level. However, with the level of funding that is provided in a SBIR Phase I grant, there is barely enough money to demonstrate proof-of-concept for a technology. Follow on funding from the State is essential to move the technology towards prototyping, customer interface and development. HB1069 will fill this critical "gap" by supplementing the SBIR program. It will leverage the Hawaii Technology Development Corporation's grant program, which has been in place since 1983, and provided funds to the companies matching the SBIR Phase I grants. HB1069 would broaden the existing program by adding a matching grant component to mid-to-later-stage funding at the SBIR Phase II and Phase III stages to support the development of working prototypes that stem out of these technologies. Sincerely, Robert J. Robinson, Ph.D.

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